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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

4 November 1957

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: The French Situation

1. The French cabinet crisis, now starting its sixth week, has created anxiety abroad which does not, however, seem to be reflected in France. While struggling to form a durable government coalition from two mutually hostile political blocs, the French are faced with a sharp decline in their exchange reserves. They must take immediate action on an emergency basis to tap gold holdings or to authorize further Bank of France credit. During the parliamentary crisis all major questions have had to be postponed, thus increasing their complexity for any future government.

2. Many observers are alarmed that failure to tackle the pressing foreign exchange deficit with strong remedial measures will soon oblige France to curtail raw material imports, with resulting production cut-backs, inflation, unemployment, and labor

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unrest. This gloomy prospect is further darkened by the impression that the Assembly has already rejected most of the available candidates who might lead the country out of the wilderness, or at least that in its present temper it will obstruct and sabotage the efforts of whoever does succeed in forming a government.

3. We feel, however, that the very urgency of the situation will result shortly in the establishment of a government at least capable of taking day-to-day decisions. For a short while at least, the next premier will probably enjoy considerable support because the Assembly will be disposed to give his program a fair trial. The effects of the foreign exchange hemorrhage will not be felt immediately by the working population, which is otherwise enjoying a fairly high standard of living. Hence there is no imminent likelihood of an outburst from the left, although aggravation of the economic crisis would almost certainly promote labor disturbances over the longer run. The right will continue to thunder against the ineffectiveness of the regime, but its following is unorganized. Any overt attempt to push forward De Gaulle would encourage the moderate forces in the Assembly to put aside their differences and accept a minimum program of austerity.

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4. We are inclined to stick by the prognosis of NIE 22-57 that France will survive the triple perils of an immobilized Assembly, chronic financial disequilibrium, and the drain of the Algerian operation, while undergoing a reduction of her over-all capacity to assume the responsibilities of a major power. Some obligations may have to be postponed, such as implementation of the Common Market, or further compromised, such as NATO troop commitments. However, financial deterioration must be halted through vigorous action if the economy is to continue to function at the present high level. If this is not done, serious economic and political difficulties will occur before the end of 1958.

FOR THE BOARD OF NATIONAL ESTIMATES:

Sherman Kent

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